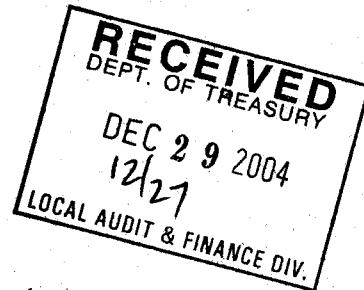
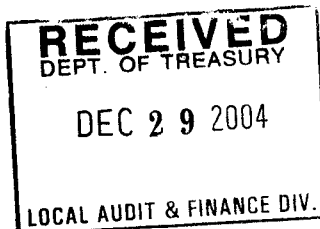


City of Leslie
33-2030
Financial Statements
And Independent Auditors' Report

Year Ended June 30, 2004





Michigan Department of Treasury
496 (2-04)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Leslie	County Ingham
Audit Date 6/30/04	Opinion Date 8/21/04	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

Willis & Jurasek, P.C.

Street Address 2545 Spring Arbor Road	City Jackson	State MI	ZIP 49203
Accountant Signature <i>Willis & Jurasek, P.C.</i>		Date 12/23/04	

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Independent Auditors' Report

Honorable Mayor and Members of the City Council
City of Leslie
Leslie, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Leslie as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Leslie as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2003.

The City of Leslie has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the financial statements.

The budgetary comparison information on pages 29-30 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

WILLIS & JURASEK, P.C.

2545 Spring Arbor Road
Post Office Box 39
Jackson, Michigan 49204-0039

Honorable Mayor and Members of the City Council
City of Leslie
Page 2

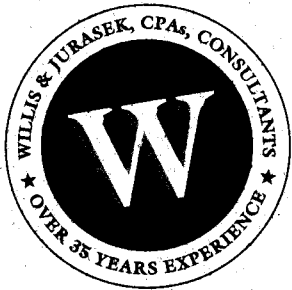
In accordance with *Government Auditing Standards*, we have also issued a report dated August 21, 2004, on our consideration of the City's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the City of Leslie. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.,

August 21, 2004



**Reporting Based on an Audit of Financial Statements
Performed in Accordance With
Government Auditing Standards**

Honorable Mayor and Members of the City Council
City of Leslie
Leslie, Michigan

We have audited the financial statements of the City of Leslie as of and for the year ended June 30, 2004, and have issued our report thereon dated August 21, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Leslie's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Leslie's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the City Council, management and state agencies, and is not intended to be and should not be used by anyone other than those specified.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

August 21, 2004

WILLIS & JURASEK, P.C.

2545 Spring Arbor Road
Post Office Box 39
Jackson, Michigan 49204-0039

City of Leslie
Statement of Net Assets
June 30, 2004

	Primary Government			Component Unit		
	Governmental	Business-type	Total	LDFA	EDC	DDA
	Activities	Activities				
Assets:						
Cash and investments	\$ 1,363,421	\$ 435,134	\$ 1,798,555	\$ 510,651	\$ 92,373	\$ 40,661
Receivables	293,321	71	293,392	-	144,913	-
Internal balances	5,000	-	5,000	-	-	-
Prepaid expenses	20,799	4,947	25,746	-	-	-
Capital assets, net						
Not being depreciated	425,375	6,120	431,495	-	-	-
Being depreciated	7,014,971	3,618,053	10,633,024	-	-	-
Total assets	9,122,887	4,064,325	13,187,212	510,651	237,286	40,661
Liabilities:						
Accounts payable	5,229	752	5,981	-	-	-
Accrued expenses	26,024	1,055	27,079	-	-	-
Accrued interest	18,356	13,792	32,148	-	-	-
Noncurrent liabilities:						
Due within one year	158,000	80,000	238,000	-	-	-
Due in more than one year	1,752,000	695,000	2,447,000	-	-	-
Total liabilities	1,959,609	790,599	2,750,208	-	-	-
Net Assets:						
Invested in capital assets, net of related debt	5,530,346	2,835,381	8,365,727	-	-	-
Restricted for:						
Debt service	422,792	-	422,792	-	-	-
Capital projects	29,450	-	29,450	-	-	-
Unrestricted	1,180,690	438,345	1,619,035	510,651	237,286	40,661
Total net assets	\$ 7,163,278	\$ 3,273,726	10,437,004	\$ 510,651	\$ 237,286	\$ 40,661

See Notes to Financial Statements.

City of Leslie
Statement of Activities
Year Ended June 30, 2004

Functions/Programs	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 470,676	\$ 35,885	\$ 1,511	\$ -	\$ (433,280)
Public safety	348,189	21,331	-	-	(326,858)
Highways and streets	555,821	-	182,143	-	(373,678)
Culture and recreation	92,550	8,876	18,866	-	(64,808)
Interest on long-term debt	113,470	-	-	-	(113,470)
Total governmental activities	<u>1,580,706</u>	<u>66,092</u>	<u>202,520</u>	<u>-</u>	<u>(1,312,094)</u>
Business-type activities:					
Water and sewer	<u>557,467</u>	<u>591,288</u>	<u>-</u>	<u>-</u>	<u>33,821</u>
Total business-type activities	<u>557,467</u>	<u>591,288</u>	<u>-</u>	<u>-</u>	<u>33,821</u>
Total primary government	<u>\$ 2,138,173</u>	<u>\$ 657,380</u>	<u>\$ 202,520</u>	<u>\$ -</u>	<u>\$ (1,278,273)</u>
Component units					
LDFA	\$ 56,699	\$ -	\$ -	\$ -	\$ (56,699)
EDC	5,318	-	-	-	(5,318)
DDA	<u>21,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,361)</u>
Total component units	<u>\$ 83,378</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (83,378)</u>

continued..

City of Leslie
Statement of Activities (Continued)
Year Ended June 30, 2004

	<u>Primary Government</u>			<u>Component Units</u>		
	<u>Government Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>	<u>LDFA</u>	<u>EDC</u>	<u>DDA</u>
Changes in Net Assets						
Net (expense) revenue	\$ (1,312,094)	\$ 33,821	1,278,273	\$ (56,699)	\$ (5,318)	\$ (21,361)
General revenues:						
Property taxes	466,072	-	466,072	296,805	-	67,350
Unrestricted grants and contributions	273,290	-	273,290	-	-	-
Interest and investment earnings	51,851	10,703	62,554	2,424	8,564	47
Other revenues	121,271	-	121,271	24,710	316	2,300
Transfers - internal activities	177,274	(35,800)	141,474	(124,761)	-	(16,713)
Total general revenues, contributions and transfers	1,089,758	(25,097)	1,064,661	199,178	8,880	52,984
Changes in Net Assets	(222,336)	8,724	(213,612)	142,479	3,562	31,623
Net Assets - Beginning of Year	7,385,614	3,265,002	10,650,616	368,172	233,724	9,038
Net Assets - End of Year	\$ 7,163,278	\$ 3,273,726	\$ 10,437,004	\$ 510,651	\$ 237,286	\$ 40,661

City of Leslie
Balance Sheet
Governmental Funds
June 30, 2004

	<u>General</u>	<u>Major Street</u>	<u>1998 Street Obligation</u>	<u>1997 Street Obligation</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Assets</u>						
Cash	\$ 439,375	\$ 206,138	\$ 38,457	\$ 142,314	\$ 274,584	\$ 1,100,868
Receivables:						
Special assessments	-	-	75,289	73,016	65,101	213,406
Due from other governmental units	53,177	20,045	-	-	6,693	79,915
Due from other funds	5,000	-	-	-	-	5,000
Prepaid expenditures	20,685	57	-	-	57	20,799
Total assets	<u>\$ 518,237</u>	<u>\$ 226,240</u>	<u>\$ 113,746</u>	<u>\$ 215,330</u>	<u>\$ 346,435</u>	<u>\$ 1,419,988</u>
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	\$ 4,762	\$ 46	\$ -	\$ -	\$ 40	\$ 4,848
Salaries payable	26,024	-	-	-	-	26,024
Deferred revenue	-	-	75,289	73,016	65,101	213,406
Total liabilities	<u>30,786</u>	<u>46</u>	<u>75,289</u>	<u>73,016</u>	<u>65,141</u>	<u>244,278</u>
Fund Balances:						
Unreserved;undesignated	487,451	226,194	-	-	-	713,645
Unreserved;undesignated- reported in nonmajor:						
Special revenue funds	-	-	-	-	204,874	204,874
Debt service fund	-	-	38,457	142,314	46,970	227,741
Capital project funds	-	-	-	-	29,450	29,450
Total fund balances	<u>487,451</u>	<u>226,194</u>	<u>38,457</u>	<u>142,314</u>	<u>281,294</u>	<u>1,175,710</u>
Total liabilities and fund balances	<u>\$ 518,237</u>	<u>\$ 226,240</u>	<u>\$ 113,746</u>	<u>\$ 215,330</u>	<u>\$ 346,435</u>	<u>\$ 1,419,988</u>

City of Leslie

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets June 30, 2004

Total Fund Balances - Governmental Funds **\$ 1,175,710**

Amounts reported for governmental activities in the Statement
of Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the funds.

The cost of the capital assets is

\$ 10,645,478

Accumulated depreciation is

(3,387,626)

7,257,852

Because the focus of governmental funds is on short-term financing,
some assets will not be available to pay for current-period expenditures.
Those assets (such as certain receivables) are offset by deferred revenues
in the governmental funds, and these are not included in fund balance.

Deferred special assessments

213,407

Internal service funds are used by management to charge the costs of certain
equipment usage and administrative costs to individual governmental funds.
The assets and liabilities of the internal service funds are included in governmental
activities in the Statement of Net Assets.

Net assets of governmental activities accounted for in the internal service fund

444,665

Long-term liabilities not due and payable in the current period
and not reported in the funds:

Bonds payable

(1,910,000)

Accrued interest

(18,356)

Total Net Assets - Governmental Activities

\$ 7,163,278

City of Leslie
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2004

	General	Major Street	1998 Street Obligation	1997 Street Obligation	Other Nonmajor Governmental Funds	Total
Revenues:						
Taxes	\$ 472,330	\$ -	\$ 8,576	\$ 19,666	\$ 41,243	\$ 541,815
Licenses and permits	845	-	-	-	-	845
Intergovernmental	286,706	118,090	-	-	46,115	450,911
Charges for services	24,910	-	-	-	13,331	38,241
Other	55,705	9,100	4,808	8,673	25,825	104,111
Reimbursements	51,857	-	-	-	-	51,857
Contributions	27,000	-	-	-	-	27,000
Total revenues	<u>919,353</u>	<u>127,190</u>	<u>13,384</u>	<u>28,339</u>	<u>126,514</u>	<u>1,214,780</u>
Expenditures:						
General government	454,006	1,769	-	-	2,636	458,411
Public safety	321,065	-	-	-	17,350	338,415
Highways and streets	115,432	50,504	-	-	41,147	207,083
Culture and recreation	73,885	-	-	-	-	73,885
Debt service:						
Principal payments	-	-	15,000	50,000	93,000	158,000
Interest and fiscal charges	-	-	8,808	30,330	75,918	115,056
Capital outlay	-	-	-	-	6,827	6,827
Total expenditures	<u>964,388</u>	<u>52,273</u>	<u>23,808</u>	<u>80,330</u>	<u>236,878</u>	<u>1,357,677</u>
Revenues Over (Under) Expenditures	<u>(45,035)</u>	<u>74,917</u>	<u>(10,424)</u>	<u>(51,991)</u>	<u>(110,364)</u>	<u>(142,897)</u>
Other Financing Sources (Uses):						
Operating transfers in	-	-	7,726	26,495	195,260	229,481
Operating transfers out	(13,500)	(20,000)	-	-	(13,707)	(47,207)
Total other financing sources (uses)	<u>(13,500)</u>	<u>(20,000)</u>	<u>7,726</u>	<u>26,495</u>	<u>181,553</u>	<u>182,274</u>
Net Changes in Fund Balances	<u>(58,535)</u>	<u>54,917</u>	<u>(2,698)</u>	<u>(25,496)</u>	<u>71,189</u>	<u>39,377</u>
Fund Balances - Beginning of Year	<u>545,986</u>	<u>171,277</u>	<u>41,155</u>	<u>167,810</u>	<u>210,105</u>	<u>1,136,333</u>
Fund Balances - End of Year	<u>\$ 487,451</u>	<u>\$ 226,194</u>	<u>\$ 38,457</u>	<u>\$ 142,314</u>	<u>\$ 281,294</u>	<u>\$ 1,175,710</u>

See Notes to Financial Statements.

City of Leslie

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities**

**Governmental Funds
Year Ended June 30, 2004**

Net Change in Fund Balances - Total Governmental Funds **\$ 39,377**

Amounts reported for governmental activities in the Statement
of Activities are different because:

Governmental funds report capital outlays as expenditures; in the
Statement of Activities, these costs are allocated over their estimated
useful lives as depreciation.

Depreciation expense	\$ (382,614)	
Capital outlay	<u>-</u>	(382,614)

Revenues in the Statement of Activities that do not provide current financial
resources are not reported as revenues in the funds, but rather are deferred
to the following fiscal year.

Current year deferred special assessments	(75,744)
---	----------

Bond proceeds are reported as financing sources in governmental funds
and thus contribute to the change in fund balance. In the Statement of Net
Assets, however, issuing debt increases long-term liabilities and does not
affect the Statement of Activities. Similarly, repayment of principal is an
expenditure in the governmental funds but reduces the liability in the
Statement of Net Assets.

Repayment to bond holders	158,000
---------------------------	---------

An internal service fund is used by management to charge the costs of
certain equipment usage to individual governmental funds. The net revenue
(expense) of the fund attributable to those funds is reported with
governmental activities.

Net operating income from governmental activities in the internal service fund	37,059
--	--------

Some expenses reported in the Statement of Activities do not require the use
of current financial resources and therefore are not reported as expenditures
in the funds.

Increase in accrued interest payable on bonds	<u>1,586</u>
---	--------------

Change in Net Assets of Governmental Activities	\$ <u>(222,336)</u>
--	----------------------------

City of Leslie
Statement of Net Assets
Proprietary Funds
Year Ended June 30, 2004

	Enterprise Fund Water and Sewer Fund	Internal Service Fund Motor Vehicle Pool Fund
Assets:		
Current assets:		
Cash and cash equivalents	\$ 435,134	\$ 262,552
Receivables:		
Accounts	71	-
Prepaid expenses	4,947	-
Total current assets	<u>440,152</u>	<u>262,552</u>
Capital Assets:		
Land and improvements	6,120	-
Plant and equipment	5,819,911	938,952
	<u>5,826,031</u>	<u>938,952</u>
Less accumulated depreciation	(2,201,858)	(756,458)
Net capital assets	<u>3,624,173</u>	<u>182,494</u>
Total assets	<u>4,064,325</u>	<u>445,046</u>
Liabilities:		
Current liabilities (payable from current assets):		
Accounts payable	752	381
Accrued expenses	1,055	-
Bonds payable	80,000	-
Accrued interest	13,792	-
Total current liabilities (payable from current assets)	<u>95,599</u>	<u>381</u>
Noncurrent liabilities:		
General obligation and revenue bonds payable	695,000	-
Total noncurrent liabilities	<u>695,000</u>	<u>-</u>
Total liabilities	<u>790,599</u>	<u>381</u>
Net Assets:		
Invested in capital assets, net of related debt	2,835,381	182,494
Unrestricted	438,345	262,171
Total net assets	<u>\$ 3,273,726</u>	<u>\$ 444,665</u>

See Notes to Financial Statements.

City of Leslie
Statement of Revenues, Expenses and
Changes in Net Assets - Proprietary Funds
Year Ended June 30, 2004

	Enterprise Fund	Internal Service Fund
	Water and Sewer Fund	Motor Vehicle Pool Fund
Operating Revenues:		
Charges for services	\$ 570,526	\$ -
Rental income	2,328	125,815
Tap-in and turn-on fees	11,412	-
Penalties	7,022	-
Total operating revenues	<u>591,288</u>	<u>125,815</u>
Operating Expenses	<u>492,639</u>	<u>90,377</u>
Operating Income	<u>98,649</u>	<u>35,438</u>
Non-Operating Revenues (Expenses):		
Interest income	10,703	6,621
Interest expense	(64,828)	-
Total non-operating revenue (expenses)	<u>(54,125)</u>	<u>6,621</u>
Net Income Before Transfers	44,524	42,059
Transfers Out to Other Funds	<u>(35,800)</u>	<u>(5,000)</u>
Net Income	8,724	37,059
Net Assets - Beginning of Year	<u>3,265,002</u>	<u>407,606</u>
Net Assets - End of Year	<u>\$ 3,273,726</u>	<u>\$ 444,665</u>

City of Leslie
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2004

	Business- Type Activities Water & Sewer Fund	Governmental Activities - Internal Service Funds
Cash Flows From Operating Activities:		
Operating income	\$ 98,649	\$ 35,438
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	104,098	51,121
Change in accounts receivable	(4)	-
Change in prepaid assets	1,961	-
Change in accounts payable	752	381
Change in accrued expenses	14,832	-
Net cash provided by (used in) operating activities	<u>220,288</u>	<u>86,940</u>
Cash Flows From Noncapital Financing Activities:		
Transfers to other funds	<u>(35,800)</u>	<u>(5,000)</u>
Cash Flows From Capital and Related Financing Activities:		
Bond payments on capital debt	(70,000)	-
Interest on capital debt	(64,828)	-
Purchase of fixed assets	-	(21,986)
Net cash used by capital and related financing activities	<u>(134,828)</u>	<u>(21,986)</u>
Cash Flows From Investing Activities:		
Interest income received	<u>10,703</u>	<u>6,621</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>60,363</u>	<u>66,575</u>
Cash and Cash Equivalents - Beginning of Year	<u>374,771</u>	<u>195,977</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 435,134</u></u>	<u><u>\$ 262,552</u></u>

See Notes to Financial Statements.

City of Leslie
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ <u>126,320</u>
Liabilities:	
Advance due other funds	\$ 5,000
Due to other agencies	<u>121,320</u>
Total liabilities	<u>\$ 126,320</u>

City of Leslie
Notes to Financial Statements

1. Summary of Significant Accounting Policies

Description of City Operations

The City of Leslie, Michigan, was organized in 1968 and covers an area of approximately 1 square mile in Ingham County. The City operates under an elected Mayor and City Council (6 members) and provides services to its residents in many areas including law enforcement, administration of justice, community enrichment and development and human services. The criteria established by GASB for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. Education services are provided through the local school system, which is a separate governmental entity and, therefore, is not represented in the financial statements included herein.

Adoption of New Accounting Standards

During the year ended June 30, 2004, the City adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government*, issued June 1999; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, issued in 2001.

The following table shows beginning net assets restated for the effects of implementation of GASB No. 34:

Fund balance at June 30, 2003 – Governmental Funds (Restated)	\$1,543,939
Long-term liabilities (restated)	(2,068,000)
Accrued interest	(19,942)
Deferred special assessments	289,150
Net capital assets (restated)	<u>7,640,467</u>
Restated net assets – July 1, 2003	<u>\$7,385,614</u>

Reporting Entity

Generally accepted accounting principles require the reporting entity to include City of Leslie (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government. These financial statements present the following component units:

Discretely Presented Component Units

Downtown Development Fund (DDA) - The Downtown Development Fund was formed to enhance the City's business district by preservation, creation and implementation of the development plans in the district to be financed by taxes from properties within its district.

Economic Development Fund (EDC) - The Economic Development Fund was formed to assist in the attraction, relocation, retention or expansion for businesses or organizations, which are desirable and beneficial to the City. The funds that are loaned to the businesses or organizations come from the Michigan Department of Commerce through the Small Cities Community Development Block Grant.

City of Leslie
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Local Development Finance Fund (LDFA) - The Local Development Finance Fund was formed to help stimulate economic growth, improve employment and encourage new private investments in the City to be financed by increased property values in the industrial park.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

City of Leslie
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Fund-Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

General Fund - This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Street Fund - This fund is a special revenue fund. It accounts for revenues received primarily from the State of Michigan Department of Transportation and accounts for street activity relating to the major street functions of the City.

1998 Street Obligation Debt Fund - This fund is used to account for the accumulation of resources for and the payment of principal and interest on the 1998 Street Project.

1997 Street Obligation Debt Fund - This fund is used to account for the accumulation of resources for and the payment of principal and interest on the 1997 Street Project.

The government reports the following major proprietary funds:

Water and Sewer Fund - The Water and Sewer Fund accounts for the activities of the government's sewage collection and treatment systems and water production, purification, and distribution systems.

Additionally, the government reports the following fund types:

Special Revenue Funds - These funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects).

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for and the payment of principal and interest on long-term general obligation debt of governmental funds.

Capital Project Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

Internal Service Funds - The internal service funds account for operations that provide services (equipment rental) to other departments of the City on a cost-reimbursement basis.

Agency Funds - These funds account for assets held for other governments in an agency capacity.

City of Leslie
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Additional Financial Statement Presentation Information - Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the electric, water and sewer enterprise funds and of the government's internal service fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The City reports its investments (when applicable) in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the City intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost. The City had no investments at June 30, 2004.

State statutes authorize the City to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

Investments are reported at fair value.

City of Leslie
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Receivables and Payables – All receivables are reported at their net value. They are reduced, where appropriate, by the estimated portion that is expected to be uncollectible.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets – Certain proceeds of the Enterprise Funds' revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Also, certain resources have been set aside to fund capital asset replacements.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	50
Vehicles	5 - 12
Equipment	5 - 20
Infrastructure	15 - 50
Plant and systems	10 - 50

City of Leslie
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Compensated Absences – It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation, sick and personal days are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if the obligation is expected to be liquidated from expendable available financial resources.

Long-Term Obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Property Taxes - The government's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through September 30; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Ingham County.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. Real and personal property in the City for 2003 had a taxable value of approximately \$30,615,000 (not including properties subject to Industrial Facilities Tax exemption). The government's general operating tax rate for fiscal year 2003-04 was 18.5674 mills, with an additional .75 mills levied for debt services.

Property taxes for the DDA and LDFA are derived from a tax increment financing agreement between the DDA and LDFA and other related taxing districts. Under this arrangement, the DDA and LDFA receive those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain property located in the City of Leslie, which are within the DDA and LDFA district. Property taxes are recognized in the fiscal year in which they are levied.

City of Leslie
Notes to Financial Statements

2. Stewardship, Compliance and Accountability

The general and special revenue funds are the governmental fund types under formal budgetary control. The City adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and annual appropriation act to implement the budget.

- 1) A general, special revenue and debt service funds budget is presented to the City Council in March, at which time hearings on the budget are scheduled. A Public Hearing is held in May and a budget workshop may be held in March or April to give all elected officials the opportunity to discuss their budget with the Council.
- 2) The budget, and an appropriation ordinance implementing it, is then adopted in May.
- 3) Formal budget integration is employed as a management control device during the year for all funds.
- 4) Budgets presented for the general and special revenue funds were prepared on the modified cash basis of accounting. Encumbrances are not recorded at year end.
- 5) Expenditures may not legally exceed activity (department) totals in the general fund. All other special revenue funds cannot legally exceed their respective fund totals.
- 6) Budgets for the current year are carefully reviewed during the year for any revision of estimates. Proposed increases or reductions in appropriations are presented to the Board for their action. The legislative body amends the general appropriation act as soon as it becomes apparent this action is necessary.
- 7) The Governing Board has the authority to amend all budgets at the fund level through the appropriation ordinance. It further has the right to amend the general fund at the activity level if it desires. Management has no authority to amend budgets at the fund level. Management can do transfers within funds at the departmental level without governing board approval but not between departments.
- 8) The budgetary information presented has been amended during the year by an official action of the City Council. The amendments were not significant in total.
- 9) All budget appropriations lapse at the end of each funds' fiscal year.

3. Cash and Cash Equivalents

To facilitate better management of the City's resources, cash is combined in a pooled operating account for much of the City's activity.

At year-end, the City's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Proprietary Funds	Total Primary Government	Component Units	Fiduciary Funds	Total
Cash and investments	<u>\$1,363,421</u>	<u>\$ 435,134</u>	<u>\$1,798,555</u>	<u>\$ 643,685</u>	<u>\$ 126,320</u>	<u>\$2,568,560</u>

City of Leslie
Notes to Financial Statements

3. Cash and Cash Equivalents (Continued)

The breakdown between deposits and investments for the City are as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$2,183,357
Bank municipal investment funds	384,823
Petty cash and cash on hand	<u>380</u>
Total	<u>\$2,568,560</u>

At year-end, the carrying amount of the City's deposits was \$2,183,358 and the bank balance was \$2,259,603. Of the balances, \$200,000 was covered by federal depository insurance in the City's name. The remaining balance is uninsured and uncollateralized.

The GASB Statement Number 3 risk disclosures for the City's investments are as follows:

	<u>Carrying Value</u>	<u>Market Value</u>
Bank Municipal Investment Funds	<u>\$ 384,823</u>	<u>\$ 384,823</u>

4. Receivables

Receivables of the governmental activities of the primary government at June 30, 2004, consist of the following:

Other governmental units (primarily the State of Michigan)	\$ 79,914
Special assessments	<u>213,407</u>
	<u>\$ 293,321</u>

City of Leslie
Notes to Financial Statements

5. Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

Primary Government	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 425,375	\$ -	\$ -	\$ 425,375
Total capital assets not being depreciated	<u>425,375</u>	<u>-</u>	<u>-</u>	<u>425,375</u>
Capital assets being depreciated:				
Buildings and improvements	1,202,650	-	-	1,202,650
Equipment and vehicles	970,968	21,986	18,000	974,954
Infrastructure	<u>8,981,453</u>	<u>-</u>	<u>-</u>	<u>8,981,453</u>
Total capital assets being depreciated	<u>11,155,071</u>	<u>21,986</u>	<u>18,000</u>	<u>11,159,057</u>
Accumulated depreciation:				
Buildings and improvements	194,909	21,276	-	216,185
Equipment and vehicles	728,337	56,521	18,000	766,858
Infrastructure	<u>2,805,105</u>	<u>355,938</u>	<u>-</u>	<u>3,161,043</u>
Total accumulated depreciation	<u>3,728,351</u>	<u>433,735</u>	<u>18,000</u>	<u>4,144,086</u>
Total capital assets being depreciated - net	<u>7,426,720</u>	<u>(411,749)</u>	<u>-</u>	<u>7,014,971</u>
Governmental activities capital assets - net	<u>\$ 7,852,095</u>	<u>\$ (411,749)</u>	<u>\$ -</u>	<u>\$ 7,440,346</u>
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 6,120	\$ -	-	\$ 6,120
Total capital assets not being depreciated	<u>6,120</u>	<u>-</u>	<u>-</u>	<u>6,120</u>
Capital assets being depreciated:				
Water system	1,653,228	-	-	1,653,228
Sewer system	4,006,185	-	-	4,006,185
Iron removal	<u>160,498</u>	<u>-</u>	<u>-</u>	<u>160,498</u>
Total capital assets being depreciated	<u>5,819,911</u>	<u>-</u>	<u>-</u>	<u>5,819,911</u>
Accumulated depreciation	<u>2,097,761</u>	<u>104,097</u>	<u>-</u>	<u>2,201,858</u>
Total capital assets being depreciated - net	<u>3,722,150</u>	<u>(104,097)</u>	<u>-</u>	<u>3,618,053</u>
Business-type activities capital assets - net	<u>\$ 3,728,270</u>	<u>\$ (104,097)</u>	<u>\$ -</u>	<u>\$ 3,624,173</u>

City of Leslie
Notes to Financial Statements

5. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 5,438
Public safety	9,774
Highways and streets	348,738
Culture and recreation	18,664
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>51,121</u>
Total depreciation expense – governmental activities	<u>\$ 433,735</u>
 Business-Type Activities:	
Sewer and Water	<u>\$ 104,097</u>

6 Interfund Receivables, Payables and Transfers

The City reports interfund balances between many of its funds. The sum of all balances presented in the tables below agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds and proprietary funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

	<u>Receivable</u>	<u>Payable</u>
Due from/to other funds:		
General Fund	\$ 5,000	\$ -
Fiduciary Fund	<u>-</u>	<u>5,000</u>
	<u>\$ 5,000</u>	<u>\$ 5,000</u>
	<u>Transfers In</u>	<u>Transfers Out</u>
Transfers:		
General Fund	\$ -	\$ 13,500
Enterprise Fund	-	35,800
Internal Service Fund	-	5,000
Major Street Fund	-	20,000
1998 Street Obligation Debt	7,726	-
1997 Street Obligation Debt	26,495	-
Nonmajor Governmental Funds	195,260	13,707
Component Unit	<u>-</u>	<u>141,474</u>
	<u>\$ 229,481</u>	<u>\$ 229,481</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

City of Leslie
Notes to Financial Statements

7. Long-Term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities and special assessments for sidewalks and streets. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

Governmental activities - long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds	<u>\$2,068,000</u>	<u>\$ -</u>	<u>\$ 158,000</u>	<u>\$1,910,000</u>	<u>\$ 158,000</u>

General obligation bonds currently outstanding are as follows:

The following is a summary of the general obligation debt outstanding of the City as of June 30, 2004:

	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
2002 Fire Station	3.55 - 7.00	2016	\$ 280,000
2000 Street Improvement	5.85 - 5.85	2011	40,000
2000 Streetscape	5.35 - 7.30	2016	230,000
2000 Streetscape	5.85 - 5.85	2011	30,000
1998 Street Improvement	4.25 - 4.80	2012	120,000
1998 Street Improvement	4.25 - 4.80	2012	50,000
1997 Bellevue Street	5.00 - 5.55	2011	165,000
1997 Bellevue Street	5.00 - 5.60	2012	200,000
1997 Bellevue Street	5.00 - 7.00	2011	160,000
1994 Sewer System Improvements	6.30 - 7.00	2013	320,000
1994 Sewer System Improvements	5.30 - 6.20	2013	265,000
1994 Street Improvements	5.20 - 5.55	2006	50,000
			<u>\$ 1,910,000</u>

Annual debt service requirements to maturity on the above governmental bond obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 158,000	\$ 102,715	\$ 260,715
2006	173,000	93,896	266,896
2007	194,000	84,227	278,227
2008	179,000	74,261	253,261
2009	189,000	64,372	253,372
2010-2014	867,000	154,553	1,021,553
2015-2016	150,000	11,700	161,700
Total	<u>\$1,910,000</u>	<u>\$ 585,724</u>	<u>\$2,495,724</u>

City of Leslie
Notes to Financial Statements

7. Long-Term Debt

Enterprise activities - long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-Type Activities:					
Bonds	<u>\$ 845,000</u>	<u>\$ -</u>	<u>\$ 70,000</u>	<u>\$ 775,000</u>	<u>\$ 80,000</u>
		<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>	
1992 Water Tower		6.80 - 8.75	2012	\$ 410,000	
1997 Bellevue Street		4.80 - 5.50	2011	<u>365,000</u>	
				<u>\$ 775,000</u>	

Annual debt service requirements to maturity on the above governmental bond obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 80,000	\$ 47,046	\$ 127,046
2006	80,000	42,406	122,406
2007	85,000	37,686	122,686
2008	95,000	32,571	127,571
2009	100,000	26,811	126,811
2010-2013	<u>335,000</u>	<u>42,385</u>	<u>377,385</u>
Total	<u>\$ 775,000</u>	<u>\$ 228,905</u>	<u>\$ 1,003,905</u>

8. Other Individual Fund and Account Group Disclosures

The Community Development Block Grant was established to account for Federal funds received under provisions of the Housing and Community Development Act of 1974.

The City established an EDC fund in fiscal year 1983 to collect loans made to area businesses under a Michigan Small Cities Block Grant. Principal repayments made by these businesses are shown as reimbursement to the EDC fund. The balance of these loans at June 30, 2004 that will be received by the EDC fund are as follows:

Modern Fur Dressing - Monthly payments of \$565 including interest at 5.0% per annum	\$ 9,260
Kathleen Stetler and Michael Walraven - Monthly payments of \$478 including interest at 5% per annum	38,246
Shari Burke - Monthly payments of \$400 including interest at 5% per annum	33,935
Pamela Secord - Monthly payments of \$593 including interest at 5% per annum.	<u>63,472</u>
Total	<u>\$ 144,913</u>

City of Leslie
Notes to Financial Statements

9. Retirement System

Description of Plan and Plan Assets

The City is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred referred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post-retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the applicable percentage times the final average compensation (FAC) according to the various classifications within the City Departments with a maximum benefit of 80 percent of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2003.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Act # 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's personnel policy. Employees contribute 5% of payroll. The City is required to contribute at an actuarially determined rate.

Annual Pension Cost

During the fiscal year ended June 30, 2004, the City's contributions totaling \$53,514 were made in accordance with contribution requirements determined by an actuarial valuation of the plan. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three-Year Trend Information as of December 31 follows:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Annual Pension Cost	\$52,794	\$46,089	\$37,865
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	0	0	0
Actuarial Value of Assets	501,463	404,674	329,970
Actuarial Accrued Liability	1,109,977	1,043,994	953,571
Unfunded AAL	608,514	639,320	623,601
Funded Ratio	45%	39%	35%
Covered Payroll	354,468	334,194	275,747
UAAL as a Percentage of Covered Payroll	172%	191%	216%

City of Leslie
Notes to Financial Statements

10. Segment Information – Enterprise Funds

The government issued revenue bonds to finance certain improvements to its water and sewer distribution and treatment systems. Because the Water and Sewer Fund, which is an individual fund that accounts entirely for the government's water distribution and treatment and sewage disposal and treatment activities, is reported as a major fund in the fund financial statements, segment disclosures herein are not required.

11. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2004, the City carried commercial insurance to cover all risks of losses. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

Required Supplemental Information

City of Leslie
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2004

	Budgeted Amounts		Actual
	Original	Final	
Revenues:			
Taxes	\$ 443,500	\$ 443,950	\$ 472,330
Licenses and permits	250	250	845
State grants	295,000	308,400	286,706
Charges for services	16,000	20,700	24,910
Other	59,500	59,500	55,705
Reimbursements	56,850	56,400	51,857
Contributions	27,000	27,000	27,000
Total revenues	<u>898,100</u>	<u>916,200</u>	<u>919,353</u>
Expenditures:			
General government:			
Council	19,360	15,560	16,591
Administrative	75,376	77,726	80,557
Assessor	17,200	17,475	17,280
Attorney	8,000	5,200	5,108
Clerk	70,640	70,640	71,882
Treasurer	68,000	68,000	69,109
Board of review	340	340	332
City Hall	61,970	68,241	68,317
Library	2,450	2,450	789
Cemetery	76,400	76,400	76,283
Other	58,735	59,095	47,758
Total general government	<u>458,471</u>	<u>461,127</u>	<u>454,006</u>
Public safety:			
Police	263,185	263,185	268,079
Fire	68,554	60,834	52,986
Total public safety	<u>331,739</u>	<u>324,019</u>	<u>321,065</u>
Planning commission:			
Training	500	500	-
Highways, streets and transportation:			
Street lights	32,000	32,105	32,103
Sidewalks	10,700	10,700	5,632
Public works department	70,500	73,032	77,697
Total highways, streets and transportation	<u>113,200</u>	<u>115,837</u>	<u>115,432</u>
Culture and recreations:			
Pool	38,200	38,200	42,250
Parks	37,700	37,700	31,635
Total culture and recreation	<u>75,900</u>	<u>75,900</u>	<u>73,885</u>

City of Leslie
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget to Actual (Continued)
General Fund
Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
Total expenditures	\$ 979,810	\$ 977,383	\$ 964,388
Revenues Over (Under) Expenditures	(81,710)	(61,183)	(45,035)
Other Financing Sources (Uses):			
Transfers out	(22,500)	(22,500)	(13,500)
Total other financing sources (uses)	(22,500)	(22,500)	(13,500)
Net Changes in Fund Balances	(104,210)	(83,683)	(58,535)
Fund Balances - Beginning of Year	545,986	545,986	545,986
Fund Balances - End of Year	\$ 441,776	\$ 462,303	\$ 487,451

Other Supplemental Information

City of Leslie
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2004

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 198,164	\$ 46,970	\$ 29,450	\$ 274,584
Special assessments receivable	-	65,101	-	65,101
Due from other governmental agencies	6,693	-	-	6,693
Prepaid expenditures	57	-	-	57
Total assets	<u>\$ 204,914</u>	<u>\$ 112,071</u>	<u>\$ 29,450</u>	<u>\$ 346,435</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 40	\$ -	\$ -	40
Deferred revenue	-	65,101	-	65,101
Total liabilities	<u>40</u>	<u>65,101</u>	<u>-</u>	<u>65,141</u>
Fund Balances:				
Unreserved:				
Unreserved; undesignated	<u>204,874</u>	<u>46,970</u>	<u>29,450</u>	<u>281,294</u>
Total fund balances	<u>204,874</u>	<u>46,970</u>	<u>29,450</u>	<u>281,294</u>
Total liabilities and fund balances	<u>\$ 204,914</u>	<u>\$ 112,071</u>	<u>\$ 29,450</u>	<u>\$ 346,435</u>

City of Leslie
Nonmajor Governmental Fund
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2004

	Special Revenue	Debt Service	Capital Project	Total
Revenues:				
Taxes	\$ -	\$ 41,243	\$ -	\$ 41,243
Intergovernmental	46,115	-	-	46,115
Charges for services	13,331	-	-	13,331
Miscellaneous	18,207	5,763	1,855	25,825
Total revenues	<u>77,653</u>	<u>47,006</u>	<u>1,855</u>	<u>126,514</u>
Expenditures:				
General government	2,636	-	-	2,636
Public safety	17,350	-	-	17,350
Highways and streets	41,147	-	-	41,147
Debt service:				
Principal payments	-	93,000	-	93,000
Interest and fiscal charges	-	75,918	-	75,918
Capital outlay	2,427	-	4,400	6,827
Total expenditures	<u>63,560</u>	<u>168,918</u>	<u>4,400</u>	<u>236,878</u>
Revenues Over (Under) Expenditures	<u>14,093</u>	<u>(121,912)</u>	<u>(2,545)</u>	<u>(110,364)</u>
Other Financing Sources (Uses):				
Operating transfers in	74,300	120,960	-	195,260
Operating transfers out	-	-	(13,707)	(13,707)
Total other financing sources (uses)	<u>74,300</u>	<u>120,960</u>	<u>(13,707)</u>	<u>181,553</u>
Changes in Fund Balances	88,393	(952)	(16,252)	71,189
Fund Balances - Beginning of Year	<u>116,481</u>	<u>47,922</u>	<u>45,702</u>	<u>210,105</u>
Fund Balances - End of Year	<u>\$ 204,874</u>	<u>\$ 46,970</u>	<u>\$ 29,450</u>	<u>\$ 281,294</u>

City of Leslie
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2004

	<u>Local</u> <u>Street</u>	<u>Public</u> <u>Improvement</u>	<u>Building</u> <u>Department</u>	<u>Total</u>
<u>Assets</u>				
Cash	\$ 64,565	\$ 130,445	\$ 3,154	\$ 198,164
Due from other governmental units	6,693	-	-	6,693
Prepaid expenditures	57	-	-	57
Total assets	<u>\$ 71,315</u>	<u>\$ 130,445</u>	<u>\$ 3,154</u>	<u>\$ 204,914</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 40	\$ -	\$ -	\$ 40
Fund Balances:				
Unreserved - undesignated	71,275	130,445	3,154	204,874
Total liabilities and fund balances	<u>\$ 71,315</u>	<u>\$ 130,445</u>	<u>\$ 3,154</u>	<u>\$ 204,914</u>

City of Leslie
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Year Ended June 30, 2004

	<u>Local Street</u>	<u>Public Improvement</u>	<u>Building Department</u>	<u>Total</u>
Revenues:				
State grants	\$ 46,115	\$ -	\$ -	\$ 46,115
Charges for services	-	-	13,331	13,331
Other	14,287	-	-	14,287
Interest earned	1,133	2,764	23	3,920
Total revenues	<u>61,535</u>	<u>2,764</u>	<u>13,354</u>	<u>77,653</u>
Expenditures:				
Highway and streets	41,147	-	-	41,147
Public safety	-	-	17,350	17,350
General administration	2,636	-	-	2,636
Capital outlay	-	2,427	-	2,427
Total expenditures	<u>43,783</u>	<u>2,427</u>	<u>17,350</u>	<u>63,560</u>
Revenue Over (Under) Expenditures	<u>17,752</u>	<u>337</u>	<u>(3,996)</u>	<u>14,093</u>
Other Financing Sources (Uses):				
Operating transfer in	28,000	40,800	5,500	74,300
Total other financial sources (uses)	<u>28,000</u>	<u>40,800</u>	<u>5,500</u>	<u>74,300</u>
Net Change in Fund Balances	45,752	41,137	1,504	88,393
Fund Balance - Beginning of Year	<u>25,523</u>	<u>89,308</u>	<u>1,650</u>	<u>116,481</u>
Fund Balance - End of Year	<u>\$ 71,275</u>	<u>\$ 130,445</u>	<u>\$ 3,154</u>	<u>\$ 204,874</u>

City of Leslie
Major Street Fund
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget to Actual
Year Ended June 30, 2004
(With Comparative Actual Amounts for the Year Ended June 30, 2003)

	2004		2003	
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
State Grants:				
State shared revenue - gas and weight tax	\$ 102,500	\$ 114,348	\$ 11,848	\$ 105,911
Build Michigan	3,616	3,742	126	3,760
Total state grants	106,116	118,090	11,974	109,671
Other:				
Interest	4,700	5,449	749	4,922
Other	3,650	3,651	1	6,059
Total other	8,350	9,100	750	10,981
Total revenues	114,466	127,190	12,724	120,652
Expenditures:				
Maintenance:				
Salaries	16,000	9,084	6,916	10,373
Fringe benefits	5,500	4,419	1,081	4,290
Supplies and materials	14,000	1,410	12,590	4,305
Contracted services	10,000	-	10,000	26,981
Equipment rental	18,000	17,621	379	16,950
Total maintenance	63,500	32,534	30,966	62,899
Traffic:				
Salaries	1,800	251	1,549	498
Fringe benefits	600	19	581	38
Supplies and materials	3,000	1,461	1,539	1,274
Contracted services	2,000	927	1,073	904
Equipment rental	1,500	1,326	174	1,430
Total traffic	8,900	3,984	4,916	4,144
Winter Maintenance:				
Salaries	3,000	2,668	332	3,203
Fringe benefits	900	506	394	655
Supplies and materials	4,000	2,660	1,340	3,437
Equipment rental	8,500	8,152	348	6,739
Total winter maintenance	16,400	13,986	2,414	14,034
Administration:				
Contracted services	3,000	1,769	1,231	1,234
Total expenditures	91,800	52,273	39,527	82,311

City of Leslie
Major Street Fund
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget to Actual
Year Ended June 30, 2004
(With Comparative Actual Amounts for the Year Ended June 30, 2003)

	<u>2004</u>		<u>2003</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
Revenue Over (Under) Expenditures	<u>\$ 22,666</u>	<u>\$ 74,917</u>	<u>\$ 52,251</u>	<u>\$ 38,341</u>
Other Financing Sources (Uses):				
Operating transfer out	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>	<u>(2,200)</u>
Total other financial sources (uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>	<u>(2,200)</u>
Net Change in Fund Balances	<u>2,666</u>	<u>54,917</u>	<u>52,251</u>	<u>36,141</u>
Fund Balance - Beginning of Year	<u>171,277</u>	<u>171,277</u>	<u>-</u>	<u>135,136</u>
Fund Balance - End of Year	<u>\$ 173,943</u>	<u>\$ 226,194</u>	<u>\$ 52,251</u>	<u>\$ 171,277</u>

City of Leslie
Local Street Fund
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget to Actual
Year Ended June 30, 2004
(With Comparative Actual Amounts for the Year Ended June 30, 2003)

	2004		2003	
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
State Grants:				
State shared revenue - gas and weight tax	\$ 34,540	\$ 38,133	\$ 3,593	\$ 35,076
Metro Act maintenance fee	-	6,734	6,734	1,559
Build michigan	1,215	1,248	33	1,245
Total state grants	35,755	46,115	10,360	37,880
Other:				
Interest	500	1,133	633	712
Other	8,830	14,287	5,457	32,703
Total other	9,330	15,420	6,090	33,415
Total revenues	45,085	61,535	16,450	71,295
Expenditures:				
Maintenance:				
Salaries	14,000	10,134	3,866	8,897
Fringe benefits	5,000	4,008	992	3,732
Supplies and materials	3,000	558	2,442	307
Contracted services	10,000	5,534	4,466	91,331
Equipment rental	10,000	11,252	(1,252)	10,374
Total maintenance	42,000	31,486	10,514	114,641
Traffic:				
Salaries	1,000	187	813	807
Fringe benefits	350	14	336	62
Supplies and materials	1,500	603	897	894
Equipment rental	1,000	1,123	(123)	920
Total traffic	3,850	1,927	1,923	2,683
Winter Maintenance:				
Salaries	3,000	1,808	1,192	1,909
Fringe benefits	1,050	435	615	556
Supplies and materials	4,000	1,253	2,747	1,917
Equipment rental	4,000	4,238	(238)	3,679
Total winter maintenance	12,050	7,734	4,316	8,061
Administration:				
Contracted services	3,000	2,636	364	234
Total Expenditures	60,900	43,783	17,117	125,619

City of Leslie
Local Street Fund
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget to Actual
Year Ended June 30, 2004
(With Comparative Actual Amounts for the Year Ended June 30, 2003)

	<u>2004</u>		<u>2003</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
Revenue Over (Under) Expenditures	\$ (15,815)	\$ 17,752	\$ 33,567	\$ (54,324)
Other Financing Sources (Uses):				
Operating transfer in	<u>28,000</u>	<u>28,000</u>	-	<u>47,200</u>
Total other financial sources (uses)	<u>28,000</u>	<u>28,000</u>	-	<u>47,200</u>
Net Change in Fund Balances	12,185	45,752	33,567	(7,124)
Fund Balance - Beginning of Year	<u>25,523</u>	<u>25,523</u>	-	<u>32,647</u>
Fund Balance - End of Year	<u>\$ 37,708</u>	<u>\$ 71,275</u>	<u>\$ 33,567</u>	<u>\$ 25,523</u>

City of Leslie
Nonmajor Debt Service Funds
Combining Balance Sheet
June 30, 2004

	General		Street Obligation			Total
	Obligation	Streetscape	Sherman	LDFA		
	2002	2000	2000	1994	1994	
<u>Assets</u>						
Cash	\$ 5,786	\$ 16,375	\$ 10,841	\$ 13,968	\$ -	46,970
Special assessments receivable	-	18,935	27,057	19,109	-	65,101
	<u>\$ 5,786</u>	<u>\$ 35,310</u>	<u>\$ 37,898</u>	<u>\$ 33,077</u>	<u>\$ -</u>	<u>\$ 112,071</u>
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Deferred revenue	\$ -	\$ 18,935	\$ 27,057	\$ 19,109	\$ -	65,101
Fund Balances:						
Reserved for debt service	5,786	16,375	10,841	13,968	-	46,970
	<u>\$ 5,786</u>	<u>\$ 35,310</u>	<u>\$ 37,898</u>	<u>\$ 33,077</u>	<u>\$ -</u>	<u>\$ 112,071</u>

City of Leslie
Nonmajor Debt Service Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended June 30, 2004

	General		Street Obligation			Total
	Obligation		Streetscape	Sherman	LDFA	
	2002	2000	2000	1994	1994	
Revenues:						
Taxes	\$ 23,771	\$ 3,669	\$ 6,358	\$ 7,445	\$ -	\$ 41,243
Other	14	1,590	2,451	1,708	-	5,763
Total revenues	<u>23,785</u>	<u>5,259</u>	<u>8,809</u>	<u>9,153</u>	<u>-</u>	<u>47,006</u>
Expenditures:						
Principal retirement	10,000	13,000	5,000	15,000	50,000	93,000
Interest	13,215	14,995	2,486	3,131	40,015	73,842
Other	275	550	276	450	525	2,076
Total expenditures	<u>23,490</u>	<u>28,545</u>	<u>7,762</u>	<u>18,581</u>	<u>90,540</u>	<u>168,918</u>
Revenues Over (Under) Expenditures	<u>295</u>	<u>(23,286)</u>	<u>1,047</u>	<u>(9,428)</u>	<u>(90,540)</u>	<u>(121,912)</u>
Other Financing Sources (Uses):						
Operating transfer in	-	30,420	-	-	90,540	120,960
Total other financial sources (uses)	<u>-</u>	<u>30,420</u>	<u>-</u>	<u>-</u>	<u>90,540</u>	<u>120,960</u>
Net Changes in Fund Balances	295	7,134	1,047	(9,428)	-	(952)
Fund Balances - Beginning of Year	<u>5,491</u>	<u>9,241</u>	<u>9,794</u>	<u>23,396</u>	<u>-</u>	<u>47,922</u>
Fund Balances - End of Year	<u>\$ 5,786</u>	<u>\$ 16,375</u>	<u>\$ 10,841</u>	<u>\$ 13,968</u>	<u>\$ -</u>	<u>\$ 46,970</u>

City of Leslie
Nonmajor Capital Project Funds
Combining Balance Sheet
June 30, 2004

		2002	2000	
		Fire Station	Streetscape	
		Construction	Construction	Total
Cash	<u>Assets</u>	\$ 29,450	\$ -	\$ 29,450
	<u>Liabilities and Fund Balances</u>			
Liabilities:				
Accounts payable		\$ -	\$ -	\$ -
Fund Balances:				
Reserved for capital expenditures		\$ 29,450	\$ -	\$ 29,450

City of Leslie
Nonmajor Capital Project Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Year Ended June 30, 2004

	2002 Fire Station Construction	2000 Streetscape Construction	Total
Revenues:			
Interest earnings	1,841	14	1,855
Total revenue	<u>1,841</u>	<u>14</u>	<u>1,855</u>
Expenditures:			
Capital outlay	4,400	-	4,400
Total expenditures	<u>4,400</u>	<u>-</u>	<u>4,400</u>
Revenues Over (Under) Expenditures	<u>(2,559)</u>	<u>14</u>	<u>(2,545)</u>
Other Financing Sources (Uses):			
Operating transfer out	-	(13,707)	(13,707)
Total other financial sources (uses)	<u>-</u>	<u>(13,707)</u>	<u>(13,707)</u>
Net Changes in Fund Balances	(2,559)	(13,693)	(16,252)
Fund Balances - Beginning of Year	<u>32,009</u>	<u>13,693</u>	<u>45,702</u>
Fund Balances - End of Year	<u>\$ 29,450</u>	<u>\$ -</u>	<u>\$ 29,450</u>

City of Leslie
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
Year Ended June 30, 2004
(With Comparative Actual Amounts for the Year Ended June 30, 2003)

	<u>2004</u>		<u>2003</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues:				
Taxes:				
Current property taxes	\$ 443,500	\$ 471,912	\$ 28,412	\$ 453,135
Trailer tax	450	418	(32)	345
Total taxes	<u>443,950</u>	<u>472,330</u>	<u>28,380</u>	<u>453,480</u>
Licenses and Permits:				
Business licenses and permits	<u>250</u>	<u>845</u>	<u>595</u>	<u>214</u>
State Grants:				
State shared revenue	295,000	273,290	(21,710)	289,326
Other state grants	<u>13,400</u>	<u>13,416</u>	<u>16</u>	<u>10,082</u>
Total state grants	<u>308,400</u>	<u>286,706</u>	<u>(21,694)</u>	<u>299,408</u>
Charges for Services:				
Collection fees	<u>20,700</u>	<u>24,910</u>	<u>4,210</u>	<u>23,604</u>
Other:				
Interest	16,000	16,535	535	18,116
Cable television franchise fee	11,000	10,130	(870)	9,663
Pool donations	15,000	14,326	(674)	19,783
Other	<u>17,500</u>	<u>14,714</u>	<u>(2,786)</u>	<u>15,960</u>
Total other	<u>59,500</u>	<u>55,705</u>	<u>(3,795)</u>	<u>63,522</u>
Reimbursements:				
Woodland Cemetery	<u>56,400</u>	<u>51,857</u>	<u>(4,543)</u>	<u>54,058</u>
Total reimbursements	<u>56,400</u>	<u>51,857</u>	<u>(4,543)</u>	<u>54,058</u>
Contributions:				
DDA administration contribution	5,000	5,000	-	5,000
EDC administration contribution	5,000	5,000	-	5,000
LDFA administration contribution	15,000	15,000	-	15,000
LDFA contribution to fire department	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total contributions	<u>27,000</u>	<u>27,000</u>	<u>-</u>	<u>27,000</u>
Total revenues	<u>916,200</u>	<u>919,353</u>	<u>3,153</u>	<u>921,286</u>

City of Leslie
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
Year Ended June 30, 2004
(With Comparative Actual Amounts for the Year Ended June 30, 2003)

	2004		2003	
	Budget	Actual	Favorable (Unfavorable)	Actual
Expenditures:				
General Government:				
Council				
Salaries	\$ 9,850	\$ 12,275	\$ (2,425)	\$ 12,085
Fringe benefits	910	747	163	925
Other	4,800	3,569	1,231	2,535
Total council	15,560	16,591	(1,031)	15,545
Administrative				
Salaries	46,126	48,289	(2,163)	41,697
Fringe benefits	28,900	29,629	(729)	28,527
Other	2,700	2,639	61	1,709
Total administrative	77,726	80,557	(2,831)	71,933
Assessor				
Contracted services	16,475	16,475	-	16,100
Other	1,000	805	195	761
Total assessor	17,475	17,280	195	16,861
Attorney	5,200	5,108	92	10,002
Clerk				
Salaries	44,770	45,721	(951)	43,214
Fringe benefits	25,270	25,799	(529)	24,284
Other	600	362	238	457
Total clerk	70,640	71,882	(1,242)	67,955
Treasurer				
Salaries	51,400	52,457	(1,057)	46,475
Fringe benefits	14,500	15,273	(773)	13,376
Other	2,100	1,379	721	1,330
Total treasurer	68,000	69,109	(1,109)	61,181
Board of review				
Salaries	315	308	7	294
Fringe benefits	25	24	1	23
Total board of review	340	332	8	317

City of Leslie
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
Year Ended June 30, 2004
(With Comparative Actual Amounts for the Year Ended June 30, 2003)

	2004			2003
	Budget	Actual	Favorable (Unfavorable)	Actual
General Government (Continued)				
City Hall				
Salaries	\$ 4,610	\$ 4,610	\$ -	3,246
Fringe benefits	353	353	-	248
Supplies	6,555	9,063	(2,508)	8,866
Contracted services	11,000	8,971	2,029	8,686
Insurance	750	561	189	531
Utilities	7,000	8,517	(1,517)	7,391
Maintenance	18,000	14,544	3,456	3,132
Other	3,100	3,857	(757)	2,627
Capital outlay	16,873	17,841	(968)	14,260
Total city hall	68,241	68,317	(76)	48,987
Library				
Salaries	1,000	76	924	23
Fringe benefits	50	6	44	2
Contracted services	500	25	475	285
Maintenance	300	147	153	83
Insurance	600	535	65	595
Total library	2,450	789	1,661	988
Cemetery				
Salaries	42,000	40,335	1,665	39,337
Fringe benefits	14,400	14,260	140	13,288
Insurance	-	119	(119)	(207)
Contributions	20,000	21,569	(1,569)	20,000
Total cemetery	76,400	76,283	117	72,418
Other				
Elections	5,385	3,193	2,192	4,184
Supplies	600	644	(44)	269
Contracted services	500	286	214	435
Insurance and bonds	13,360	10,219	3,141	8,605
Other	39,250	33,416	5,834	36,366
Total other	59,095	47,758	11,337	49,859
Total general government	461,127	454,006	7,121	416,046

City of Leslie
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
Year Ended June 30, 2004
(With Comparative Actual Amounts for the Year Ended June 30, 2003)

	<u>2004</u>		<u>2003</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
Public Safety:				
Police				
Salaries	\$ 160,260	\$ 164,936	\$ (4,676)	\$ 146,128
Fringe benefits	51,125	43,667	7,458	45,842
Gas and oil	3,500	4,910	(1,410)	3,969
Supplies	5,300	5,448	(148)	4,940
Contracted services	4,000	6,844	(2,844)	3,864
Insurance	5,000	6,526	(1,526)	5,328
Utilities	8,000	10,710	(2,710)	8,301
Maintenance	4,000	3,017	983	2,861
Equipment rental	15,000	15,000	-	15,000
Other	500	488	12	910
Legal	6,500	6,533	(33)	1,114
Total police	<u>263,185</u>	<u>268,079</u>	<u>(4,894)</u>	<u>238,257</u>
Fire				
Salaries	16,580	16,533	47	11,161
Fringe benefits	1,482	1,265	217	854
Supplies	8,300	2,868	5,432	5,347
Contracted services	2,000	549	1,451	240
Insurance	4,000	3,244	756	2,612
Utilities	3,500	4,665	(1,165)	3,874
Maintenance	3,000	1,356	1,644	1,535
Equipment rental	15,000	15,000	-	15,000
Other	6,972	7,081	(109)	5,506
Capital outlay	-	425	(425)	-
Total fire	<u>60,834</u>	<u>52,986</u>	<u>7,848</u>	<u>46,129</u>
Total public safety	<u>324,019</u>	<u>321,065</u>	<u>2,954</u>	<u>284,386</u>
Planning Commission:				
Training	<u>500</u>	<u>-</u>	<u>500</u>	<u>-</u>
Highways, Streets and Transportation:				
Street lights				
Utilities	<u>32,105</u>	<u>32,103</u>	<u>2</u>	<u>31,564</u>

City of Leslie
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
Year Ended June 30, 2004
(With Comparative Actual Amounts for the Year Ended June 30, 2003)

	2004		2003	
	Budget	Actual	Favorable (Unfavorable)	Actual
Highways, Streets and Transportation (Continued)				
Sidewalks				
Salaries	\$ 2,500	\$ 1,169	\$ 1,331	\$ 1,799
Fringe benefits	200	89	111	138
Equipment rental	3,000	1,944	1,056	2,220
Contracted services	5,000	2,430	2,570	-
Total sidewalks	10,700	5,632	5,068	4,157
Public Works Department				
Salaries	32,032	36,421	(4,389)	26,119
Fringe benefits	9,500	9,326	174	9,982
Materials and supplies	3,000	3,387	(387)	2,718
Contracted services	4,000	2,747	1,253	4,127
Insurance	2,500	3,735	(1,235)	3,612
Utilities	7,000	7,506	(506)	7,515
Maintenance	6,000	8,312	(2,312)	8,530
Attorney fees	1,000	149	851	574
Gas and oil	6,500	5,996	504	6,631
Capital outlay	1,500	118	1,382	585
Total public works department	73,032	77,697	(4,665)	70,393
Total highways, streets and transportation	115,837	115,432	405	106,114
Culture and Recreation:				
Pool				
Salaries	21,000	26,115	(5,115)	20,737
Fringe benefits	1,800	1,676	124	1,586
Supplies	6,800	6,197	603	6,437
Other	1,600	2,027	(427)	1,485
Utilities	3,500	2,972	528	2,582
Maintenance	500	547	(47)	435
Insurance	1,500	1,148	352	1,365
Capital outlay	1,500	1,568	(68)	885
Total pool	38,200	42,250	(4,050)	35,512

City of Leslie
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
Year Ended June 30, 2004
(With Comparative Actual Amounts for the Year Ended June 30, 2003)

	<u>2004</u>		<u>2003</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
Culture and Recreation (Continued)				
Parks				
Salaries	\$ 12,000	\$ 10,676	\$ 1,324	\$ 9,556
Fringe benefits	3,450	2,266	1,184	1,714
Contracted services	1,500	2,151	(651)	1,596
Supplies	1,500	799	701	645
Insurance	650	776	(126)	805
Utilities	1,500	1,219	281	1,220
Other	13,500	11,990	1,510	11,465
Capital outlay	3,600	1,758	1,842	5,121
Total parks	<u>37,700</u>	<u>31,635</u>	<u>6,065</u>	<u>32,122</u>
Total culture and recreation	<u>75,900</u>	<u>73,885</u>	<u>2,015</u>	<u>67,634</u>
Total expenditures	<u>977,383</u>	<u>964,388</u>	<u>12,995</u>	<u>874,180</u>
Revenues Over (Under) Expenditures	<u>(61,183)</u>	<u>(45,035)</u>	<u>16,148</u>	<u>47,106</u>
Other Financing Sources (Uses):				
Operating transfer (out)	<u>(22,500)</u>	<u>(13,500)</u>	<u>9,000</u>	<u>(57,004)</u>
Total other financing sources (uses)	<u>(22,500)</u>	<u>(13,500)</u>	<u>9,000</u>	<u>(57,004)</u>
Net Changes in Fund Balances	<u>(83,683)</u>	<u>(58,535)</u>	<u>25,148</u>	<u>(9,898)</u>
Fund Balances - Beginning of Year	<u>545,986</u>	<u>545,986</u>	<u>-</u>	<u>555,884</u>
Fund Balances - End of Year	<u>\$ 462,303</u>	<u>\$ 487,451</u>	<u>\$ 25,148</u>	<u>\$ 545,986</u>

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2004

General Obligations - Unlimited Tax Bonds
Series 1994 - 1

Purpose: Construction of addition and improvements on the sanitary sewer system

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>6/30/2003</u>	<u>6/30/2004</u>	<u>Interest Payable</u>
December 21, 1994	\$ 495,000					
		6.20%	5/1/2004	\$ 25,000		
		6.30%	5/1/2005	25,000	\$ 25,000	\$ 21,278
		6.65%	5/1/2006	30,000	30,000	19,703
		6.65%	5/1/2007	30,000	30,000	17,708
		6.65%	5/1/2008	30,000	30,000	15,713
		6.65%	5/1/2009	35,000	35,000	13,718
		6.70%	5/1/2010	40,000	40,000	11,390
		6.70%	5/1/2011	40,000	40,000	8,710
		6.70%	5/1/2012	45,000	45,000	6,030
		6.70%	5/1/2013	45,000	45,000	1,508
				<u>\$ 345,000</u>	<u>\$ 320,000</u>	<u>\$ 115,758</u>

General Obligations - Unlimited Tax Bonds
Series 1994 - 2

Purpose: Construction of addition and improvements on the sanitary sewer system

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>6/30/2003</u>	<u>6/30/2004</u>	<u>Interest Payable</u>
August 23, 1994	\$ 530,000					
		5.50%	5/1/2004	\$ 25,000		
		5.60%	5/1/2005	25,000	\$ 25,000	\$ 15,813
		5.70%	5/1/2006	25,000	25,000	14,413
		5.80%	5/1/2007	25,000	25,000	12,988
		5.90%	5/1/2008	30,000	30,000	11,538
		6.00%	5/1/2009	30,000	30,000	9,768
		6.05%	5/1/2010	30,000	30,000	7,968
		6.10%	5/1/2011	30,000	30,000	6,153
		6.15%	5/1/2012	35,000	35,000	4,323
		6.20%	5/1/2013	35,000	35,000	2,170
				<u>\$ 290,000</u>	<u>\$ 265,000</u>	<u>\$ 85,134</u>

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2004

Street Obligation - Limited Tax Bonds
Series 1994 - 3
Purpose: Reconstruction of Mill Street

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>6/30/2003</u>	<u>6/30/2004</u>	<u>Interest Payable</u>
August 23, 1994	\$ 180,000					
		5.35%	10/1/2003	\$ 15,000		
		5.35%	10/1/2004	15,000	\$ 15,000	\$ 2,329
		5.45%	10/1/2005	15,000	15,000	1,519
		5.55%	10/1/2006	20,000	20,000	555
				<u>\$ 65,000</u>	<u>\$ 50,000</u>	<u>\$ 4,403</u>

1997 Michigan Transportation Fund Bonds
Purpose: Reconstruction of Bellevue Street

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>6/30/2003</u>	<u>6/30/2004</u>	<u>Interest Payable</u>
June 12, 1997	\$ 250,000					
		6.00%	11/1/2003	\$ 15,000		
		5.00%	11/1/2004	15,000	\$ 15,000	\$ 8,000
		5.00%	11/1/2005	15,000	15,000	7,250
		5.00%	11/1/2006	20,000	20,000	6,500
		5.00%	11/1/2007	20,000	20,000	5,500
		5.00%	11/1/2008	20,000	20,000	4,500
		5.00%	11/1/2009	20,000	20,000	3,500
		5.00%	11/1/2010	25,000	25,000	2,500
		5.00%	11/1/2011	25,000	25,000	1,250
				<u>\$ 175,000</u>	<u>\$ 160,000</u>	<u>\$ 39,000</u>

General Obligation Bonds
Series 1997A
Purpose: Reconstruction of Bellevue Street

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>6/30/2003</u>	<u>6/30/2004</u>	<u>Interest Payable</u>
June 12, 1997	\$ 285,000					
		5.00%	11/1/2003	\$ 15,000		
		5.10%	11/1/2004	15,000	\$ 15,000	\$ 10,438
		5.20%	11/1/2005	20,000	20,000	9,535
		5.30%	11/1/2006	20,000	20,000	8,485
		5.35%	11/1/2007	20,000	20,000	7,420
		5.40%	11/1/2008	20,000	20,000	6,345
		5.45%	11/1/2009	25,000	25,000	5,124
		5.50%	11/1/2010	25,000	25,000	3,755
		5.55%	11/1/2011	25,000	25,000	2,374
		5.60%	11/1/2012	30,000	30,000	840
				<u>\$ 215,000</u>	<u>\$ 200,000</u>	<u>\$ 54,316</u>

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2004

**Special Assessment Bonds
Series 1997A**

Purpose: Reconstruction of Bellevue Street

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>6/30/2003</u>	<u>6/30/2004</u>	<u>Interest Payable</u>
June 12, 1997	\$ 285,000					
		5.00%	11/1/2003	\$ 20,000		
		5.10%	11/1/2004	20,000	\$ 20,000	\$ 8,325
		5.20%	11/1/2005	20,000	20,000	7,295
		5.30%	11/1/2006	25,000	25,000	6,113
		5.35%	11/1/2007	20,000	20,000	4,915
		5.40%	11/1/2008	20,000	20,000	3,840
		5.45%	11/1/2009	20,000	20,000	2,755
		5.50%	11/1/2010	20,000	20,000	1,660
		5.55%	11/1/2011	20,000	20,000	555
				<u>\$ 185,000</u>	<u>\$ 165,000</u>	<u>\$ 35,458</u>

**Special Assessment Bonds
Series 1998**

Purpose: Reconstruction of East Bellevue Street

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>6/30/2003</u>	<u>6/30/2004</u>	<u>Interest Payable</u>
August 6, 1998	\$ 170,000					
		4.35%	11/1/2003	\$ 10,000		
		4.40%	11/1/2004	10,000	\$ 10,000	\$ 5,345
		4.45%	11/1/2005	10,000	10,000	4,903
		4.50%	11/1/2006	10,000	10,000	4,455
		4.55%	11/1/2007	15,000	15,000	3,889
		4.65%	11/1/2008	15,000	15,000	3,199
		4.70%	11/1/2009	15,000	15,000	2,498
		4.75%	11/1/2010	15,000	15,000	1,789
		4.75%	11/1/2011	15,000	15,000	1,076
		4.80%	11/1/2012	15,000	15,000	360
				<u>\$ 130,000</u>	<u>\$ 120,000</u>	<u>\$ 27,514</u>

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2004

**General Obligation Bonds
Series 1998**

Purpose: Reconstruction of East Bellevue Street

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>6/30/2003</u>	<u>6/30/2004</u>	<u>Interest Payable</u>
August 6, 1998	\$ 75,000					
		4.35%	11/1/2003	\$ 5,000		
		4.40%	11/1/2004	5,000	\$ 5,000	\$ 2,208
		4.45%	11/1/2005	5,000	5,000	1,986
		4.50%	11/1/2006	5,000	5,000	1,763
		4.55%	11/1/2007	5,000	5,000	1,536
		4.65%	11/1/2008	5,000	5,000	1,306
		4.70%	11/1/2009	5,000	5,000	1,073
		4.75%	11/1/2010	5,000	5,000	836
		4.75%	11/1/2011	5,000	5,000	599
		4.80%	11/1/2012	10,000	10,000	240
				<u>\$ 55,000</u>	<u>\$ 50,000</u>	<u>\$ 11,547</u>

**Special Assessment Bonds
Series 2000B**

Purpose: Reconstruction of North Sherman Street

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>6/30/2003</u>	<u>6/30/2004</u>	<u>Interest Payable</u>
August 8, 2000	\$ 53,000					
		5.85%	11/1/2003	\$ 5,000		
		5.85%	11/1/2004	5,000	\$ 5,000	\$ 2,194
		5.85%	11/1/2005	5,000	5,000	1,901
		5.85%	11/1/2006	5,000	5,000	1,609
		5.85%	11/1/2007	5,000	5,000	1,316
		5.85%	11/1/2008	5,000	5,000	1,024
		5.85%	11/1/2009	5,000	5,000	731
		5.85%	11/1/2010	5,000	5,000	439
		5.85%	11/1/2011	5,000	5,000	146
				<u>\$ 45,000</u>	<u>\$ 40,000</u>	<u>\$ 9,360</u>

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2004

**Special Assessment Bonds
Series 2000A**

Purpose: Reconstruction of South Main Street

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>6/30/2003</u>	<u>6/30/2004</u>	<u>Interest Payable</u>
August 8, 2000	\$ 39,000					
		5.85%	11/1/2003	\$ 3,000		
		5.85%	11/1/2004	3,000	\$ 3,000	\$ 1,667
		5.85%	11/1/2005	3,000	3,000	1,492
		5.85%	11/1/2006	4,000	4,000	1,287
		5.85%	11/1/2007	4,000	4,000	1,053
		5.85%	11/1/2008	4,000	4,000	819
		5.85%	11/1/2009	4,000	4,000	585
		5.85%	11/1/2010	4,000	4,000	351
		5.85%	11/1/2011	4,000	4,000	117
				<u>\$ 33,000</u>	<u>\$ 30,000</u>	<u>\$ 7,371</u>

**General Obligation Bonds
Series 2000A**

Purpose: Reconstruction of South Main Street

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>6/30/2003</u>	<u>6/30/2004</u>	<u>Interest Payable</u>
August 1, 2000	\$ 250,000					
		5.50%	5/1/2004	\$ 10,000		
		5.50%	5/1/2005	10,000	\$ 10,000	\$ 12,603
		5.50%	5/1/2006	10,000	10,000	12,053
		5.50%	5/1/2007	15,000	15,000	11,503
		5.50%	5/1/2008	15,000	15,000	10,678
		5.50%	5/1/2009	15,000	15,000	9,853
		5.50%	5/1/2010	15,000	15,000	9,028
		5.30%	5/1/2011	20,000	20,000	8,233
		5.35%	5/1/2012	20,000	20,000	7,163
		5.40%	5/1/2013	25,000	25,000	6,083
		5.45%	5/1/2014	25,000	25,000	4,720
		5.50%	5/1/2015	30,000	30,000	3,345
		5.60%	5/1/2016	30,000	30,000	1,680
				<u>\$ 240,000</u>	<u>\$ 230,000</u>	<u>\$ 96,942</u>

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2004

**General Obligation
Series 2002**

Purpose: Constructing, furnishing and equipping City share of fire station

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>6/30/2003</u>	<u>6/30/2004</u>	<u>Interest Payable</u>
January 1, 2002	\$ 300,000					
		7.00%	10/1/2003	\$ 10,000		
		7.00%	10/1/2004	10,000	\$ 10,000	\$ 12,515
		4.25%	10/1/2005	15,000	15,000	11,846
		3.55%	10/1/2006	15,000	15,000	11,261
		3.90%	10/1/2007	15,000	15,000	10,703
		4.10%	10/1/2008	20,000	20,000	10,000
		4.25%	10/1/2009	20,000	20,000	9,165
		4.40%	10/1/2010	20,000	20,000	8,300
		4.50%	10/1/2011	25,000	25,000	7,298
		4.60%	10/1/2012	25,000	25,000	6,160
		4.70%	10/1/2013	25,000	25,000	4,998
		4.80%	10/1/2004	30,000	30,000	3,690
		4.90%	10/1/2015	30,000	30,000	2,235
		5.00%	10/1/2016	30,000	30,000	750
				<u>\$ 290,000</u>	<u>\$ 280,000</u>	<u>\$ 98,921</u>

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2004

**Sewage Disposal and Water Supply System Number 1 Bonds
Series 1997**

Purpose: Acquire, construct and equip sewer and water system improvements

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>6/30/2003</u>	<u>6/30/2004</u>	<u>Interest Payable</u>
May 1, 1997	\$ 575,000					
		5.00%	10/1/2003	\$ 35,000		
		5.10%	10/1/2004	40,000	\$ 40,000	\$ 27,583
		5.20%	10/1/2005	40,000	40,000	24,983
		5.25%	10/1/2006	40,000	40,000	22,343
		5.30%	10/1/2007	45,000	45,000	19,328
		5.35%	10/1/2008	45,000	45,000	15,953
		5.40%	10/1/2009	50,000	50,000	12,240
		5.45%	10/1/2010	50,000	50,000	8,500
		5.50%	10/1/2011	55,000	55,000	4,420
				<u>\$ 400,000</u>	<u>\$ 365,000</u>	<u>\$ 135,350</u>

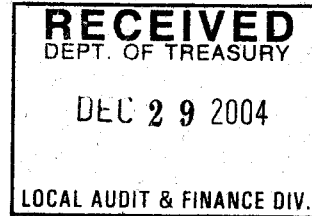
**Water Supply System Revenue Bonds
Series 1991**

Purpose: Construction of elevated water storage tank and related equipment

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>6/30/2003</u>	<u>6/30/2004</u>	<u>Interest Payable</u>
October 1, 1991	\$ 700,000					
		4.35%	7/1/2004	\$ 35,000		
		4.40%	7/1/2005	40,000	\$ 40,000	\$ 19,463
		4.45%	7/1/2006	40,000	40,000	17,423
		4.50%	7/1/2007	45,000	45,000	15,343
		4.55%	7/1/2008	50,000	50,000	13,243
		4.65%	7/1/2009	55,000	55,000	10,858
		4.70%	7/1/2010	55,000	55,000	8,450
		4.75%	7/1/2011	60,000	60,000	5,750
		4.80%	7/1/2012	65,000	65,000	3,025
				<u>\$ 445,000</u>	<u>\$ 410,000</u>	<u>\$ 93,555</u>



August 31, 2004



Members of City Council
City of Leslie
Leslie, Michigan

We have audited the financial statements of the City of Leslie for the year ended June 30, 2004, and have issued our report thereon dated August 31, 2004.

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. The City adopted the requirements of GASB 34 during the year ended June 30, 2004. No other new accounting policies were adopted and no other applications of existing policies were changed during the current year. We noted no transactions entered into by the City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

WILLIS & JURASEK, P.C.

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Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the estimate to record historical value on the beginning fixed assets to be recorded in the Statement of Net Assets.

Management's estimate of the historical cost of buildings and equipment was based on historical information and current information in calculating the recorded values. Infrastructure was estimated based on lane miles, average age of roads and streets and applying formulas in calculating infrastructure costs. We evaluated the key factors and assumptions used to develop the amounts recorded for fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City's financial reporting process (that is, cause future financial statements to be materially misstated). There were no significant audit adjustments recorded at year-end.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Members of the City Council
City of Leslie
Page 3

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

Comments and Recommendations

Fixed Assets

We recommend you set up a separate mechanism for monitoring fixed assets during the year. Your current software package may handle this. At a minimum the schedule you keep should set up a summary page showing beginning of the year assets, then any additions and deletions. Accumulated depreciation should be set up in a similar manner. This would allow for easy monitoring of fixed assets during the year and at year end.

GASB 34

The City adopted the requirements of GASB 34 for the year ended June 30, 2004. The audit report has a much different look in that the audit report now contains the new government-wide financial statements. The management elected not to include the Management Discussion and Analysis as part of this years audit report. We recommend working toward inclusion for next year. Overall, the transition went smoothly. The most difficult area was the estimation of capital assets to be recorded. It is a new look for your financial statements, and as everyone adjusts to the new statements, hopefully the reports will become more meaningful.

Comprehensive Annual Report and Certificate of Achievement for Excellence in Financial Reporting

We would recommend the City consider revamping the financial statement reporting for the audit report and try to receive the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association. This would require a little more reporting in some areas; specifically a statistical section would be added to the end of the report. Most of the information needed you would already have. We can provide guidance in meeting the requirements for this reporting.

Funds Maintained Manually

The City still has several of the smaller funds that it maintains with manual ledger systems. While the funds are small in nature and do not involve a lot of ledger activity, we would still recommend that all funds be set up and accounted for on your governmental software package used by the City. While it is not imperative that it be done, we feel certain reporting may be strengthened by incorporating all funds in your general ledger package.

Fund Balance – General Fund

The fund balance for the General Fund decreased (\$58,535) this year, leaving a fund balance at June 30, 2004 of \$487,451. As a percentage of annual revenue your fund balance is at 53%.

Given the situation with lowering revenue sharing from the State, the decline in fund balance this year was not unexpected. It is the second year of declining fund balance. Your current fund balance remains healthy at this point. However, with the continued expected decline in revenue, fund balance may continue to slip.